

1 The opinion in support of the decision being entered today was *not* written  
2 for publication in and is *not* binding precedent of the Board.

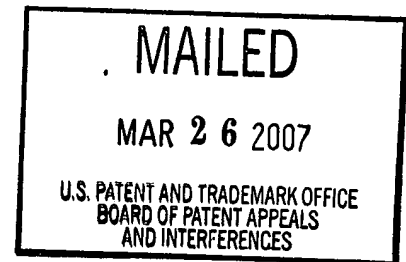
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4 UNITED STATES PATENT AND TRADEMARK OFFICE

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6  
7 BEFORE THE BOARD OF PATENT APPEALS  
8 AND INTERFERENCES  
9

10  
11 *Ex parte* JAY S. WALKER, DANIEL E. TEDESCO,  
12 STEPHEN C. TULLEY, and WEN YAN LIN  
13

14  
15 Appeal 2006-2000  
16 Application 09/540,034  
17 Technology Center 3600  
18

19  
20 Decided: March 26, 2007  
21  
22



23 Before MURRIEL E. CRAWFORD, STUART S. LEVY, and ANTON W.  
24 FETTING, *Administrative Patent Judges*.

25 FETTING, *Administrative Patent Judge*.

26 DECISION ON APPEAL  
27

28  
29 STATEMENT OF CASE

30 This appeal under 35 U.S.C. § 134 involves claims 1-70, the only claims  
31 pending in this application. We have jurisdiction over the appeal pursuant to 35  
32 U.S.C. § 6.

33  
34 We AFFIRM.

1 The appellants' invention relates to applying a third party subsidy offer to a  
2 sales transaction. An understanding of the invention can be derived from a reading  
3 of exemplary claim 1, which is reproduced below.

4 1. A method for processing a transaction in which a customer  
5 purchases an item from a merchant, comprising:  
6 determining a third party subsidy offer to be provided to the customer,  
7 the third party subsidy offer being associated with a third party benefit  
8 to be applied to the transaction; and  
9 evaluating whether a merchant benefit will be applied to the  
10 transaction.

11 This appeal arises from the Examiner's Final Rejection, mailed October 10,  
12 2003. The Appellants filed a Brief in support of the appeal on April 5, 2004, and  
13 the Examiner mailed an Answer to the Appeal Brief on August 27, 2004. A Reply  
14 Brief was filed on October 27, 2004. A Supplemental Answer was mailed on  
15 January 23, 2006. A Supplemental Reply Brief was filed on March 27, 2006. The  
16 Appellants requested an Oral Hearing on July 25, 2006, but subsequently waived  
17 the request.

18 PRIOR ART

19 The prior art references of record relied upon by the Examiner in rejecting the  
20 appealed claims are:

21 Storey US 5,774,870 Jun. 30, 1998

22 Goldhaber US 5,855,008 Dec. 29, 1998

23 Krauss<sup>1</sup>, *Subsidized TV Sets?*, Communications Engineering & Design, Feb. 1998

24 In addition, we make the following art of record:

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<sup>1</sup> printed from [www.cedmagazine.com/ced/9802/9802cc.htm](http://www.cedmagazine.com/ced/9802/9802cc.htm)

1 Blattberg and Elvin, *Modeling the Effectiveness and Profitability of Trade*  
2 *Promotion*, Marketing Science, vol. 6, no. 2, pp. 124-146, Spring 1987 (Blattberg)

3 Hanson US 5,974,398 Oct. 26, 1999

4  
5 REJECTIONS<sup>2</sup>

6 Claims 1-26, 32-43, 45, 46, 48-54, 57-60, and 63-70 stand rejected under  
7 35 U.S.C. § 103(a) as obvious over Storey and Krauss.

8 Claims 27-31, 47, 55, 61, and 62 stand rejected under 35 U.S.C. § 103(a) as  
9 obvious over Storey, Krauss, and Administrative Notice of the notoriety of  
10 receiving a customer offer of purchase in exchange for payment of an offer amount  
11 over the Internet.

12 Claims 44 and 56 stand rejected under 35 U.S.C. § 103(a) as obvious over  
13 Storey, Krauss, and Goldhaber.

14 The examiner has applied Storey for its descriptions of customer purchases,  
15 determination of a subsidy offer associated with a benefit to be applied to the  
16 purchase and evaluating whether a merchant benefit will be applied to the  
17 purchase. The Examiner relied on Krauss for applying a third party subsidy and on  
18 Goldhaber for not conditioning the merchant subsidy offer upon performance of a  
19 second task by the customer.

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<sup>2</sup> An additional rejection under 35 U.S.C. § 101 was withdrawn by the Examiner (Supplemental Answer 2).

ISSUES

*Claims 1-26, 32-43, 45, 46, 48-54, 57-60, and 63-70 rejected under  
35 U.S.C. § 103(a) as obvious over Storey and Krauss.*

The issues pertinent to these rejections are

- Whether the art describes determining a third party subsidy offer to be provided to the customer
- Whether the art describes evaluating whether a merchant benefit will be applied to the transaction
- Whether the art describes evaluation based on the third party benefit
- Whether the art describes determining performed in response to an indication that the customer is interested in purchasing the item
- Whether the art describes receiving an indication of the third party subsidy offer
- Whether the art describes a third party subsidy amount and a merchant subsidy amount
- Whether the art describes the merchant subsidy amount based on a retail price associated with the item less the third party subsidy amount
- Whether the art describes a third party subsidy amount and providing the item to the customer for free
- Whether the art describes comparing the reduced item price, the third party subsidy amount, and a cost of the item to the merchant
- Whether the art describes comparing the reduced item price, the third party subsidy amount and a retail price associated with the item

- 1       • Whether the art describes determining the reduced item price based on the  
2       third party subsidy amount and at least one of retail price, cost, and  
3       minimum acceptable margin.
- 4       • Whether the art describes another item to be provided to the customer in  
5       place of the item
- 6       • Whether there is motivation in the prior art to combine the references

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8       *Claims 27-31, 47, 55, 61, and 62 rejected under 35 U.S.C. § 103(a) as obvious*  
9       *over Storey, Krauss, and Administrative Notice of the notoriety of receiving a*  
10       *customer offer of purchase in exchange for payment of an offer amount*  
11       *over the Internet.*

12       The issues pertinent to these rejections are

- 13       • Whether the art describes a warranty term or an interest rate term as a  
14       benefit
- 15       • Whether the art describes determining a merchant subsidy amount based on  
16       a retail price less the third party subsidy amount; determining a retail margin  
17       based on a retail price less cost; and applying the merchant subsidy to the  
18       transaction if the retail margin less the merchant subsidy amount is at least  
19       equal to a minimum acceptable margin
- 20       • Whether there is motivation in the prior art to combine the references

21       In particular, the Appellants contend that no determining of a third party  
22       subsidy offer to be provided to the customer is made (Br. 17; Reply Br. 3;  
23       Supplemental Reply Br. 8); that there is no evaluating whether a merchant benefit

1 will be applied to the transaction (Reply Br. 5; Supplemental Reply Br. 10); that no  
2 evaluation based on the third party benefit is made (Br. 24; Reply Br. 11;  
3 Supplemental Reply Br. 15); that no determining is performed in response to an  
4 indication that the customer is interested in purchasing the item is made (Br. 27;  
5 Reply Br. 16; Supplemental Reply Br. 11-12); that no receiving an indication of  
6 the third party subsidy offer is made (Br. 30; Reply Br. 16; Supplemental Reply  
7 Br. 12); that no subsidies of any kind are made (Br. 33, 36, 39, 64; Reply Br. 16;  
8 Supplemental Reply Br. 21); award points are not subsidies (Br. 36); that nothing  
9 is provided for free (Br. 39); that no comparing the reduced item price, the third  
10 party subsidy amount, and a cost of the item to the merchant is made (Br. 42); that  
11 no comparing the reduced item price, the third party subsidy amount and a retail  
12 price associated with the item (Br. 45); that no determining the reduced item price  
13 based on the third party subsidy amount and at least one of retail price, cost, and  
14 minimum acceptable margin is made (Br. 48); that no other item is provided to the  
15 customer in place of the item (Br. 51); that no warranty term or interest rate term  
16 as a benefit is made (Br. 54); and that no determining of a merchant subsidy  
17 amount based on a retail price less the third party subsidy amount; determining of a  
18 retail margin based on a retail price less cost; and applying the merchant subsidy to  
19 the transaction if the retail margin less the merchant subsidy amount is at least  
20 equal to a minimum acceptable margin are made (Br. 57-58; Reply Br. 17-20;  
21 Supplemental Reply Br. 13-15).

## 22 FACTS PERTINENT TO THE ISSUES

23 The following Findings of Fact (FF) are pertinent to the above issues and are  
24 supported by a preponderance of the evidence.

- 1) A third party is any party other than the customer and the merchant (Specification 6).
- 2) A third party subsidy offer is any offer associated with a benefit from a third party to be applied to the transaction (Specification 6).
- 3) Therefore, award points that are redeemed by third parties, being an offer for redemption associated with the benefit from the third party offering the redemption and that are applied to a transaction, are a third party subsidy.
- 4) A benefit is anything of value to the customer (Specification 6).
- 5) An item is any good or service that may be purchased by the customer. (Specification 6).
- 6) Profit is the remainder after cost has been subtracted from revenue<sup>3</sup>.
- 7) The price to a customer is the gross price less all discounts and cash subsidies, including promotional discounts and subsidies<sup>3</sup>.
- 8) A person of ordinary skill in the art pursues maximization of profit in managing a business. There is a minimum acceptable level of gross profit for the business to pay its ongoing fixed costs and remain sustainable<sup>3</sup>.
- 9) Although a promotional campaign has cost, its objective is to generate sufficient incremental revenue such that the incremental profit from the incremental revenue exceeds the cost of the promotion<sup>3</sup>.

1 10) Pricing and promotional campaigning are notoriously well known activities  
2 within the knowledge and ability of a person of ordinary skill in the art of  
3 business management<sup>3</sup>.

4 11) The price of \$0.00 is a species of the genus of prices that would have been  
5 immediately envisaged by a person of ordinary skill in the art, particularly in  
6 relation to a promotional campaign<sup>3</sup>.

7 12) Krauss describes determining to provide a third party cellular phone subsidy  
8 offer to be provided to the customer of a cellular phone.

9 There's a subsidy involved ... When you sign up for a year's worth of  
10 service, the cellular phone company sends a check for \$200 to Circuit  
11 City.

12 Thus, Krauss describes determining a third party subsidy offer to be provided  
13 to the customer.

14 13) Storey describes a merchant awarding the benefit of redeemable points to a  
15 purchase based on a formula evaluation in which price paid is a parameter  
16 (col. 1, ll. 37-46).

17 14) Thus, Storey describes evaluating whether a merchant benefit will be applied  
18 to the transaction.

19 15) Storey describes a third party benefit to be applied to a transaction as the  
20 redemption of the points awarded (col. 1, ll. 37-46). The evaluation of award

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<sup>3</sup> This fact pertains to basic accounting and promotional programming known to a person of ordinary skill in the art. It is evidenced by Krauss' discussion on the first page following the cellular phone example. It also is evidenced in detail by Blattberg.



1 points by the merchant is based on the formula relating points to their value of  
2 redemption.

3 16) Thus, Storey describes evaluation based on the third party benefit.

4 17) Krauss describes determining that a subsidy is provided when the customer  
5 signs up (*supra*). Signing up is an indication of interest in purchasing.

6 18) Thus, Krauss describes determining performed in response to an indication  
7 that the customer is interested in purchasing the item.

8 19) Krauss' phone subsidy must necessarily, and therefore inherently, be agreed  
9 to between the cellular phone company and the merchant (Circuit City in  
10 Krauss) prior to the promotional campaign for the phone offer, for otherwise  
11 there would be no offer. Such an agreement implicitly provides an indication of  
12 the third party subsidy offer.

13 20) Thus, Krauss describes receiving an indication of the third party subsidy  
14 offer.

15 21) Storey describes both the merchant and a third party redeeming award points  
16 for gift certificates (col. 7, ll. 16-25). A gift certificate has value to a customer.

17 22) Thus, Storey describes a third party subsidy amount and a merchant subsidy  
18 amount.

19 23) Storey bases the points awarded upon a formula related to the price to the  
20 customer. As shown *supra*, the price to a customer is the gross price less all  
21 discounts and cash subsidies, including promotional discounts and subsidies.

22 24) Thus, Storey describes the merchant subsidy amount based on a retail price  
23 associated with the item less the third party subsidy amount.

1 25) As shown *supra*, Krauss describes determining a third party subsidy offer to  
2 be provided to the customer and the price of \$0.00 is a species of the genus of  
3 prices that would have been immediately envisaged by a person of ordinary  
4 skill in the art, particularly in relation to a promotional campaign. In particular,  
5 Krauss describes a price of \$29 and receiving a check for \$200. Thus, the net  
6 price to the Krauss' customer of \$29 is 12.7% of the gross, minimally \$229, for  
7 at least an 87.2% subsidy. From an exemplary subsidy level as large as this, a  
8 person of ordinary skill in the art would have immediately envisaged a range of  
9 potential subsidies up to 100% from reading Krauss.

10 26) Thus, a person of ordinary skill in the art would have immediately envisaged  
11 a third party subsidy amount and providing the item to the customer for free  
12 from reading Krauss.

13 27) As shown *supra*, a person of ordinary skill in the art pursues maximization  
14 of profit in managing a business; the price to a customer is the gross price less  
15 all discounts and cash subsidies, including promotional discounts and subsidies;  
16 and profit is the remainder after cost has been subtracted from revenue.  
17 Therefore, a person of ordinary skill in the art would have compared the gross  
18 price, discounts and subsidies, net price, and costs, including the cost of the  
19 item sold, in evaluating how much promotional cost could be expended toward  
20 the promotional campaign.

21 28) Thus, a person of ordinary skill in the art would have immediately envisaged  
22 comparing the reduced item price, the third party subsidy amount, and a cost of  
23 the item to the merchant in evaluating the merchant promotional benefit.

1 29) Similarly, a person of ordinary skill in the art would have immediately  
2 envisaged comparing the reduced item price, the third party subsidy amount,  
3 and a retail price in evaluating the merchant promotional benefit.

4 30) Similarly, a person of ordinary skill in the art would have immediately  
5 envisaged determining the reduced item price based on the third party subsidy  
6 amount and all of, and therefore at least one of, retail price, cost, and minimum  
7 acceptable margin.

8 31) Similarly, a person of ordinary skill in the art would have immediately  
9 envisaged determining a merchant subsidy amount based on a retail price less  
10 the third party subsidy amount; determining a retail margin based on a retail  
11 price less cost; and applying the merchant subsidy to the transaction if the retail  
12 margin less the merchant subsidy amount is at least equal to a minimum  
13 acceptable margin.

14 32) Storey describes a merchant benefit in which certain products would be  
15 available under special favorable terms (col. 5, ll. 56-63). This implies that the  
16 promotion would provide an incentive for the customer to switch a choice from  
17 a product not exhibiting the favorable terms to a product having such favorable  
18 terms. In this case, the promotional item would be provided to the customer in  
19 place of the original item.

20 33) Thus, Storey describes another item to be provided to the customer in place  
21 of the item.

22 34) As shown *supra*, Storey shows describes a merchant benefit in which certain  
23 products would be available under special favorable terms. Both warranty and  
24 financing terms were notoriously well known exemplars of terms adjustable to  
25 promote sales at the time of the invention. A person of ordinary skill in the art

1 would have immediately envisaged either favorable warranty or interest rate  
2 terms for a promotional merchant benefit.

3 35) Thus, a person of ordinary skill in the art would have immediately envisaged  
4 a warranty term or an interest rate term as a merchant benefit.

5 36) Both Krauss and Storey describe examples of merchandising promotional  
6 campaigns.

### 7 ANALYSIS

8 *Claims 1-26, 32-43, 45, 46, 48-54, 57-60, and 63-70 rejected under*  
9 *35 U.S.C. § 103(a) as obvious over Storey, and Krauss.*

10  
11 The above Findings of Fact show that

- 12 • The art describes determining a third party subsidy offer to be provided to  
13 the customer (FF 10).
- 14 • The art describes evaluating whether a merchant benefit will be applied to  
15 the transaction (FF 14).
- 16 • The art describes evaluation based on the third party benefit (FF 16).
- 17 • The art describes determining performed in response to an indication that the  
18 customer is interested in purchasing the item (FF 18).
- 19 • The art describes receiving an indication of the third party subsidy offer  
20 (FF 20).
- 21 • The art describes a third party subsidy amount and a merchant subsidy  
22 amount (FF 22).

- 1       • The art describes the merchant subsidy amount based on a retail price  
2       associated with the item less the third party subsidy amount (FF 24).
- 3       • The art describes a third party subsidy amount and providing the item to the  
4       customer for free (FF 26).
- 5       • The art describes comparing the reduced item price, the third party subsidy  
6       amount, and a cost of the item to the merchant (FF 28).
- 7       • The art describes comparing the reduced item price, the third party subsidy  
8       amount and a retail price associated with the item (FF 29)
- 9       • The art describes determining the reduced item price based on the third party  
10      subsidy amount and at least one of retail price, cost, and minimum  
11      acceptable margin (FF 30).
- 12      • The art describes another item to be provided to the customer in place of the  
13      item (FF 33, 36).
- 14      • It would have been obvious to a person of ordinary skill in the art to have  
15      combined the campaigns of Krauss and Storey to combine the effectiveness  
16      of each of their strategies (FF 36)

17      Accordingly, because all of the findings demonstrate that these rejections based  
18      on substantial evidence, and that the Examiner did not err, we sustain the  
19      Examiner's rejection of claims 1-26, 32-43, 45, 46, 48-54, 57-60, and 63-70 under  
20      35 U.S.C. § 103(a) as obvious over Storey and Krauss.

1      *Claims 27-31, 47, 55, 61, and 62 rejected under 35 U.S.C. § 103(a) as obvious*  
2      *over Storey, Krauss, and Administrative Notice of the notoriety of receiving a*  
3      *customer offer of purchase in exchange for payment of an offer amount over the*  
4      *Internet.*

5      The above Findings of Fact show that

- 6      • The art describes a warranty term or an interest rate term as a benefit  
7      (FF 35).
- 8      • The art describes determining a merchant subsidy amount based on a retail  
9      price less the third party subsidy amount; determining a retail margin based  
10     on a retail price less cost; and applying the merchant subsidy to the  
11     transaction if the retail margin less the merchant subsidy amount is at least  
12     equal to a minimum acceptable margin (FF 31)
- 13     • It would have been obvious to a person of ordinary skill in the art to have  
14     combined the campaigns of Krauss and Storey to combine the effectiveness  
15     of each of their strategies (FF 36)

16     Accordingly, because all of the findings demonstrate that the Examiner did not  
17     err in these rejections based on substantial evidence, we sustain the examiner's  
18     rejection of claims 27-31, 47, 55, 61, and 62 under 35 U.S.C. § 103(a) as obvious  
19     over Storey, Krauss, and Administrative Notice of the notoriety of receiving a  
20     customer offer of purchase in exchange for payment of an offer amount over the  
21     Internet.

*Claims 44 and 56 rejected under 35 U.S.C. § 103(a) as obvious over Storey, Krauss, and Goldhaber.*

These claims depend from claims 43 and 53 respectively, whose rejection we sustained *supra*. The Appellants have not argued separately for the patentability of these claims.

Accordingly we sustain the Examiner's rejection of claims 44 and 56 under 35 U.S.C. § 103(a) as obvious over Storey, Krauss, and Goldhaber.

## REMARKS

If prosecution continues further, the Examiner should consider Hanson and Blattberg for the effect their teachings pertinent to issues of valuation of promotional campaigns in terms of pricing, promotional outlays and discounts, and costs may have on the patentability of claimed subject matter.


## DECISION

To summarize, our decision is as follows:


- The rejection of claims 1-26, 32-43, 45, 46, 48-54, 57-60, and 63-70 under 35 U.S.C. § 103(a) as obvious over Storey and Krauss is sustained.
- The rejection of claims 27-31, 47, 55, 61, and 62 under 35 U.S.C. § 103(a) as obvious over Storey, Krauss, and Administrative Notice of the notoriety of receiving a customer offer of purchase in exchange for payment of an offer amount over the Internet is sustained.
- The rejection of claims 44 and 56 under 35 U.S.C. § 103(a) as obvious over Storey, Krauss and Goldhaber is sustained.

No time period for taking any subsequent action in connection with this appeal  
may be extended under 37 CFR § 1.136(a).


AFFIRMED



MURRIEL E. CRAWFORD  
Administrative Patent Judge



STUART S. LEVY  
Administrative Patent Judge



ANTON W. FETTING  
Administrative Patent Judge

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